

General Information Letter: There is no limit in the IITA to the deduction allowed for contributions to the College Savings Pool or "Bright Start" program.

December 7, 2001

Dear:

This is in response to your letter dated November 29, 2001, in which you request a letter ruling. The nature of your request and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), which may be found on the Department's web site at www.revenue.state.il.us.

In your letter you have stated the following:

In regards to the Illinois Section 529 Brightstart College Savings Program, I am wondering if there is any restriction on the amount of time that the money has to reside in the account. It seems to be that a planning opportunity exists for Illinois taxpayers who pay college expenses to funnel all college payments through a Brightstart in order to obtain a state tax deduction regardless of the time the money resided in the account.

For example, it is permissible for a parent or student to make a contribution in early January into a Brightstart account then a week later, withdraw the money to pay for college expenses with the objective of receiving a state income tax deduction for the amount contributed to the Brightstart account?

I posed this question to Bart Stevens, Program Director for the Brightstart program who confirmed that it is permissible. I would like to be assured from the Department of Revenue that this is indeed permissible before publicly marketing this as a planning opportunity. Thank you in advance for your immediate attention and reply.

Response

Section 203(a)(2)(Y) of the Illinois Income Tax Act (35 ILCS 5/203) provides:

For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act.

The Office of the State Treasurer has titled the College Savings Pool program "Bright Start."

There is no provision in Section 203(a)(2)(Y) or any other part of the Illinois Income Tax Act that requires a contribution to be left in the Bright Start program for any length of time in order for the contribution to qualify for the deduction.

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are

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not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b). If you have any further questions, you may contact me at (217) 782-7055.

Sincerely,

Paul S. Caselton
Deputy General Counsel -- Income Tax